



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2706
PHONE: (213) 974-8301 FAX: (213) 626-5427

J. TYLER McCAULEY
AUDITOR-CONTROLLER

WENDY L. WATANABE
CHIEF DEPUTY

December 3, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

**SUBJECT: CHIEF EXECUTIVE OFFICE – AUDITS OF CABLE TELEVISION
FRANCHISES**

County Code Section 16.64.010 requires cable television companies in County franchise areas to pay the County a fee based on their gross receipts. At the request of the Chief Executive Office Cable and Telecommunications (CAT) section, we contracted with a private Certified Public Accounting firm, Simpson and Simpson, CPAs (Simpson), to audit two cable companies, Charter and Time Warner, serving four franchise areas. The audits were intended to determine whether the cable companies properly reported their gross receipts and paid the correct fees to the County.

Simpson issued four reports; two on Charter franchise areas and two on Time Warner franchise areas. The reports indicate that the companies underpaid their franchise fees by \$71,162 and \$22,344, respectively. The underpayments occurred primarily because the companies underreported the franchise fees they received from their customers, and inappropriately reduced their gross advertising revenue by the advertising commissions they paid.

In addition, for three of the four franchise areas, Simpson reported that Charter and Time Warner underpaid the County by more than two percent. As a result, under County Code Section 16.64.070, Charter and Time Warner must also reimburse the County for the cost of the three audits. Charter owes the County \$22,000 in audit fees and Time Warner owes \$8,800. As indicated on the Attachment, Charter owes a total of \$93,162 and Time Warner owes \$31,144.

"To Enrich Lives Through Effective and Caring Service"

Simpson discussed the results of these audits with the Chief Executive Office, Charter and Time Warner. The Chief Executive Office is currently pursuing collection of the unpaid franchise fees and cost of the audits.

Because of the number of reports, copies are not enclosed but are available for your review. Please call me if you have any questions, or your staff may call Jim Schneiderman at (626) 293-1101 if you wish to review any of the reports.

JTM:MMO:JS:MP:MR

Attachment

c: Chief Executive Office

William T Fujioka, Chief Executive Officer

Susan Herman, Cable and Telecommunications

Fern Taylor, Cable and Telecommunications

Raymond G. Fortner, County Counsel

Sachi A. Hamai, Executive Officer

Public Information Office

Audit Committee

**CHIEF EXECUTIVE OFFICE – CABLE AND TELECOMMUNICATIONS
CABLE TV FRANCHISE AUDITS**

CHARTER				
Franchise	Audit Period (Calendar Year)	Underpaid Franchise Fees Due	Audit Costs Due (1)	Total
Altadena	2000 - 2004	\$ 62,873	\$ 22,000	\$ 84,873
La Crescenta	2000 - 2004	\$ 8,289	\$ -	\$ 8,289
Subtotal		\$ 71,162	\$ 22,000	\$ 93,162

TIME WARNER				
Franchise	Audit Period (Calendar Year)	Underpaid Franchise Fees Due	Audit Costs Due (1)	Total
Canyon Country	2000 - 2004	\$ 17,703	\$ 4,400	\$ 22,103
North Torrance	2000 - 2004	\$ 4,641	\$ 4,400	\$ 9,041
Subtotal		\$ 22,344	\$ 8,800	\$ 31,144

Total Due to County		\$ 93,506	\$ 30,800	\$ 124,306
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- (1) County Code Section 16.64.070 states that the franchisee must pay for the cost of the audits if the amount underpaid is more than two percent of the total amount owed.